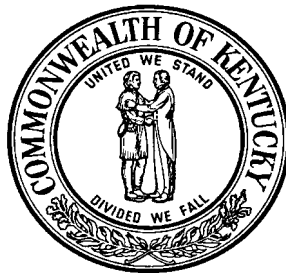


**REPORT OF THE AUDIT OF THE
FORMER LEWIS COUNTY
CLERK**

**For The Year Ended
December 31, 2008**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE FORMER LEWIS COUNTY CLERK

**For The Year Ended
December 31, 2008**

The Auditor of Public Accounts has completed the former Lewis County Clerk's audit for the year ended December 31, 2008. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$7,666 from the prior year, resulting in excess fees of \$59,343 as of December 31, 2008. Revenues decreased by \$186,350 from the prior year and expenditures decreased by \$194,016.

Report Comment:

- 2008-01 The Former Lewis County Clerk Had Undeposited Receipts Totaling \$25,392
- 2008-02 The Former Lewis County Clerk Should Eliminate The Remaining \$1,457 Deficit In The 2008 Fee Account
- 2008-03 The Former Lewis County Clerk Should Have Expended Funds Of Her Fee Account For Allowable Purposes Only
- 2008-04 The Former Lewis County Clerk's Salary Was Overpaid By \$2,279
- 2008-05 The Former Lewis County Clerk Overpaid Her 2008 Expense Allowance By \$711
- 2008-06 The Former Lewis County Clerk Should Have Invested Public Funds In Interest Bearing Bank Accounts
- 2008-07 The Former Lewis County Clerk Should Have Prepared An Accurate 4th Quarter Report
- 2008-08 The Former County Clerk Should Have Strengthened Controls

Deposits:

The former County Clerk's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Steve Applegate, Lewis County Judge/Executive
The Honorable Shirley Hinton, Former Lewis County Clerk
The Honorable Glenda K. Himes, Lewis County Clerk
Members of the Lewis County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the former County Clerk of Lewis County, Kentucky, for the year ended December 31, 2008. This financial statement is the responsibility of the former County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the former County Clerk for the year ended December 31, 2008, in conformity with the regulatory basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole. The schedule of excess of liabilities over assets is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.



The Honorable Steve Applegate, Lewis County Judge/Executive
The Honorable Shirley Hinton, Former Lewis County Clerk
The Honorable Glenda K. Himes, Lewis County Clerk
Members of the Lewis County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated August 7, 2009 on our consideration of the former County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2008-01 The Former Lewis County Clerk Had Undeposited Receipts Totaling \$25,392
- 2008-02 The Former Lewis County Clerk Should Eliminate The Remaining \$1,457 Deficit In The 2008 Fee Account
- 2008-03 The Former Lewis County Clerk Should Have Expended Funds Of Her Fee Account For Allowable Purposes Only
- 2008-04 The Former Lewis County Clerk's Salary Was Overpaid By \$2,279
- 2008-05 The Former Lewis County Clerk Overpaid Her 2008 Expense Allowance By \$711
- 2008-06 The Former Lewis County Clerk Should Have Invested Public Funds In Interest Bearing Bank Accounts
- 2008-07 The Former Lewis County Clerk Should Have Prepared An Accurate 4th Quarter Report
- 2008-08 The Former County Clerk Should Have Strengthened Controls

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Lewis County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

August 7, 2009

LEWIS COUNTY
SHIRLEY HINTON, FORMER COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2008

Revenues

State Grants		\$	43,883
State Fees For Services			63,702
Fiscal Court			4,788
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	404,202	
Usage Tax		579,874	
Tangible Personal Property Tax		794,125	
Other-			
Fish and Game Licenses		6,420	
Marriage Licenses		3,231	
Deed Transfer Tax		16,155	
Delinquent Tax		55,768	1,859,775
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		12,288	
Real Estate Mortgages		15,861	
Chattel Mortgages and Financing Statements		36,652	
Notary Fees		703	
All Other Recordings		23,495	
Charges for Other Services-			
Late Filing		434	
Copywork		3,212	92,645
Other:			
Miscellaneous		597	
Candidate Filing Fee		490	1,087
Total Revenues			2,065,880

The accompanying notes are an integral part of this financial statement.

LEWIS COUNTY
 SHIRLEY HINTON, FORMER COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES-REGULATORY BASIS
 December 31, 2008
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 284,424

Usage Tax 562,478

Tangible Personal Property Tax 291,670

Licenses, Taxes, and Fees-

Fish and Game Licenses 6,248

Delinquent Tax 17,842

Legal Process Tax 11,968 \$ 1,174,630

Payments to Fiscal Court:

Tangible Personal Property Tax 84,199

Delinquent Tax 6,623

Deed Transfer Tax 15,347

Miscellaneous 2,605 108,774

Payments to Other Districts:

Tangible Personal Property Tax 386,490

Delinquent Tax 17,161 403,651

Payments to Sheriff 715

Payments to County Attorney 7,855

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries 117,506

Part-Time Salaries 12,000

Employee Benefits-

Unemployment Insurance 134

Contracted Services-

Advertising 2,000

Materials and Supplies-

Office Supplies 14,292

The accompanying notes are an integral part of this financial statement.

Operating Expenditures and Capital Outlay:

Other Charges-			
Conventions and Travel	\$	893	
Dues		600	
Postage		4,411	
Refunds		1,335	
County Clerk Bond		315	
Library & Archives Grant Expenditures		43,883	
Housing Trust Fund		<u>7,404</u>	\$ 204,773
Capital Outlay-			
Office Equipment			<u>29,549</u>
Total Expenditures			<u>\$ 1,929,947</u>
Less: Disallowed Expenditures			
Insurance Premiums Paid			<u>1,030</u>
Total Allowable Expenditures			1,928,917
Net Revenues			136,963
Less: Statutory Maximum			<u>74,020</u>
Excess Fees			62,943
Less: Expense Allowance			<u>3,600</u>
Excess Fees Due County for 2008			59,343
Payments to Fiscal Court - February 10, 2009		50,000	
February 26, 2009		<u>7,886</u>	<u>57,886</u>
Balance Due Fiscal Court			\$ 1,457

The accompanying notes are an integral part of this financial statement.

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2008 services
- Reimbursements for 2008 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2008

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent for the first six months and 13.5 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The former County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The former County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 4. Libraries and Archives Grant

The former County Clerk had a beginning balance of \$878 in her Libraries and Archives grant account. The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$43,005. Funds totaling \$43,883 were expended during the year. The unexpended grant balance was \$0 as of December 31, 2008.

LEWIS COUNTY
SHIRLEY HINTON, FORMER COUNTY CLERK
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS

December 31, 2008

Assets

Cash in Bank	\$ 149,999
Deposits in Transit	144
Receivables	<u>18,823</u>
Total Assets	<u>168,966</u>

Liabilities

Paid Obligations:	
Outstanding Checks and Liabilities	\$ (168,966)
Total Paid Obligations	<u>(168,966)</u>
Unpaid Obligations:	
Excess Fees Due	<u>(1,457)</u>
Total Unpaid Obligations	<u>(1,457)</u>
Total Liabilities	<u>(170,423)</u>
Total Fund Deficit as of December 31, 2008	<u><u>\$ (1,457)</u></u>

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Steve Applegate, Lewis County Judge/Executive
The Honorable Shirley Hinton, Former Lewis County Clerk
The Honorable Glenda K. Himes, Lewis County Clerk
Members of the Lewis County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the former Lewis County Clerk for the year ended December 31, 2008, and have issued our report thereon dated August 7, 2009. The former County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Lewis County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the former Lewis County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the former Lewis County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comments and recommendations as item 2008-08 to be a significant deficiency.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the former Lewis County Clerk's financial statement for the year ended December 31, 2008, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items 2008-01, 2008-02, 2008-03, 2008-04, 2008-05, 2008-06, and 2008-07.

The former Lewis County Clerk's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the former County Clerk's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Lewis Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

August 7, 2009

COMMENTS AND RECOMMENDATIONS

LEWIS COUNTY
SHIRLEY HINTON, FORMER COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2008

STATE LAWS AND REGULATIONS:

2008-01 The Former Lewis County Clerk Had Undeposited Receipts Totaling \$25,392

Auditors identified undeposited cash receipts in the former Lewis County Clerk's office totaling \$25,392 for calendar year 2008. Of this amount, \$9,153 was diverted and deposited into the 2007 fee account. The former County Clerk later made a deposit to the 2008 fee account for \$9,153 from personal funds. The remaining \$16,239 could not be found.

County Clerks are required to deposit all funds received into the fee account on a daily basis in accordance with KRS 43.075. The former Lewis County Clerk would make one to three deposits for each business day. However, these deposits did not agree nor reconcile to the amount reflected on the daily checkout sheets, and the amounts on the daily checkout sheets were posted to the receipts ledger. Auditors also noted that the deposit tickets reflected the cash deposits were always made in even amounts. During an interview with the former County Clerk, she stated that she did not deposit coins and used them for change in her office.

The County Clerk should start each business day with a set amount of startup cash. This startup cash should remain in the cash drawer at the end of each business day. The total amount collected on any business day, less the startup funds, should agree to the daily activity reflected on the daily checkout sheet. This amount should then agree to the amount deposited in the bank for the day. Any variances between the amount deposited and the amount reflected on the daily checkout sheet should be investigated by the official and a reconciliation of the difference should be shown on the daily checkout sheet.

We recommend all collections for each business day be deposited intact daily including any coins and then reconciled to the daily checkout sheet and the receipts ledger. The receipts ledger should have a column for each category of receipt and a grand total for each business day. Any discrepancies between the daily checkout sheets and receipts ledger to the bank deposits should be investigated and explained.

Former County Clerk's Response: It is with deep regret that was happening at the end of my career as Clerk since 1970. I know now I should have retired sooner and not seeked this last term, namely my heart not with it, aging process happening and letting things just exist and trusting my family.

LEWIS COUNTY
 SHIRLEY HINTON, FORMER COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2008
 (Continued)

STATE LAWS AND REGULATIONS: (Continued)

2008-02 The Former Lewis County Clerk Should Eliminate The Remaining \$1,457 Deficit In The
2008 Fee Account

The former Lewis County Clerk has a \$1,457 deficit remaining in the 2008 fee account. During calendar year 2008, the former Lewis County Clerk had \$25,392 in undeposited receipts. On September 17, 2008, the former County Clerk deposited \$9,153 from personal funds to the 2008 fee account. On February 2, 2009, February 25, 2009, and March 17, 2009, the former County Clerk deposited additional personal funds totaling \$18,802 to the 2008 fee account. The former County Clerk also had additional issues consisting of \$1,030 in disallowed expenditures and overpayment of both her maximum salary and expense allowance by \$2,279 and \$711, respectively, resulting in a remaining deficit of \$1,457 in the 2008 fee account.

We recommend the former County Clerk eliminate the remaining deficit in the 2008 fee account by depositing personal funds in the amount of \$1,457.

Former County Clerk's Response: The remaining deficit of \$1,457 has been paid and check issued to Lewis County Fiscal Court with the assistance of the engaging auditors, who were very helpful and explaining the numerous errors. I was trying not to leave a cloud hanging over the office and staff which was like family to me so I took care of the deficit. I know just activity as this stops at my desk.

2008-03 The Former Lewis County Clerk Should Have Expended Funds Of Her Fee Account For
Allowable Purposes Only

During our payroll procedures, we noted the former Clerk paid \$1,030 for her own health insurance premiums from fee account funds that should have been a personal payroll deduction from the Clerk's gross salary. Payment of the former Clerk's portion of insurance premiums from her fee account funds is not an allowable expenditure of the Clerk's office. In Funk vs. Milliken, 317 S.W. 2d 499 (KY.1958), Kentucky's highest court reaffirmed the rule that the county fee officials' expenditures of public funds will be allowable only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not personal expenses. We recommend the former Clerk only expend funds of her fee account for allowable purposes.

Former County Clerk's Response: The health insurance and retirement reports for the whole county system was an extra, accommodating of another office. It was always hurry, hurry, hurry, - need to check for this amount, etc. to meet deadlines, another error or oversight. Amount has been reimbursed.

LEWIS COUNTY
SHIRLEY HINTON, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2008
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

2008-04 The Former Lewis County Clerk's Salary Was Overpaid By \$2,279

During our audit procedures, we noted the former County Clerk overpaid her 2008 salary by \$2,279. On September 2, 2008, check #10383 was issued to the former Clerk in the amount of \$6,168 for her official salary. We determined this particular payroll check was incorrectly written for the gross amount instead of the correct net amount, which should have been for \$3,889. The net amount is calculated by taking the gross salary and subtracting all withholdings. In addition, the check was posted to the disbursements ledger incorrectly for the net amount. All payroll checks should be posted to the disbursements ledger for the gross salary amount. The net amount is paid to the Clerk or employee and the withholdings are paid to the taxing authorities when due. Had the former Clerk reconciled the fee account bank statement to the disbursements ledger, the posting error and the overpayment of salary would have been detected in a reasonable amount of time. We recommend the clerk pay and post all payroll checks correctly.

Former County Clerk's Response: Sorry for this error, it wasn't intended, much to my sorrow. I know the buck stops with me, but I've stayed longer at this position than my body or memory still works full time or not. Amount has been paid back.

2008-05 The Former Lewis County Clerk Overpaid Her 2008 Expense Allowance By \$711

The former Lewis County Clerk overpaid her expense allowance by \$711. Our review of the payroll records showed the former County Clerk issued two checks to herself for expense allowance totaling \$3,400. The gross amount of both checks should have been \$3,600, and after appropriate withholdings, the net amount of both checks should have been \$2,689. This results in an overpayment of \$711. The amount posted to the disbursements ledger was for the \$2,689 net amount rather than the actual amount paid.

According to KRS 64.017 and KRS 64.710, the County Clerk should receive her expense allowance in twelve monthly payments of \$300 each, less appropriate withholdings. The gross amount should be posted to the disbursements ledger and the withholdings remitted to the respective taxing authorities.

We recommend the County Clerk pay the expense allowance as instructed by statute in twelve equal installments and accurately post these payments to the disbursements ledger

Former County Clerk's Response: Have reimbursed the expense allowance of \$711, the twelve equal installments has been implemented for the 2009 year. Short-cuts only cause more problems.

LEWIS COUNTY
SHIRLEY HINTON, FORMER COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2008
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

2008-06 The Former Lewis County Clerk Should Have Invested Public Funds In Interest Bearing Bank Accounts

The former Clerk's 2008 fee account was non-interest bearing. KRS 66.480 recommends that county officials deposit public funds in interest bearing accounts. The Clerk should invest the funds deposited in her official account so that the county may receive the full benefit of taxpayer dollars. We recommend the Clerk deposit public funds in an interest bearing account.

Former County Clerk's Response: The current Clerk is in the process of depositing public funds in interest bearing accounts. The current bank is being approached about situation again. Clerk may go to different bank the first of year.

2008-07 The Former Lewis County Clerk Should Have Prepared An Accurate 4th Quarter Report

During our audit we noted the former County Clerk did not prepare part one of the 4th quarter report accurately. Part one of the 4th quarter report is a summary and reconciliation of all accounts. The total of the checks listed on the reconciliation of the Clerk's official account for calendar year 2008 was understated by \$18,823. We recommend the County Clerk prepare an accurate 4th quarter report.

Former County Clerk's Response: Corrected copy of 4th quarter report attached to report in the office.

INTERNAL CONTROL - MATERIAL WEAKNESS:

2008-08 The Former County Clerk Should Have Strengthened Controls

The former County Clerk collected cash, prepared daily checkout sheets and deposit tickets, posted all transactions to both the receipts and disbursements ledgers, prepared and issued all checks only with her signature. Had properly designed internal control procedures been implemented, undeposited receipts of \$25,392, the posting of employee payroll checks for the net amount, and the Clerk's overpayment of salary would have been detected. The Clerk should have implemented the following control procedures:

LEWIS COUNTY
SHIRLEY HINTON, FORMER COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2008
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESS: (Continued)

2008-08 The Former County Clerk Should Have Strengthened Controls (Continued)

- The former Clerk should have separated cash registers for each deputy clerk that collects receipts. The registers should have a certain amount of startup cash and this amount should not change. At the end of the business day each deputy clerk should prepare a daily checkout sheet and reconcile the receipts collected to the daily checkout sheet noting any differences on the checkout sheet. Someone independent of posting to the ledgers and collecting receipts should prepare a consolidated checkout sheet. The receipts collected should be recounted for each register and any differences noted on the checkout sheet investigated by that person. This person should also prepare the deposit ticket. Someone independent of collecting receipts and preparing the deposit ticket should post the separate category of receipts noted on the consolidated checkout sheet to the receipts ledger. The daily checkout, deposit ticket, and the total amount posted to the receipts ledger should agree for each business day.
- The former Clerk should have had dual signatures on the checks written. The second person signing should be independent of posting to the ledgers and should compare the source document to the check and then trace the amount of the check to the disbursements ledger before signing. Payroll checks should be traced to the individual earnings record to make sure the check is written for the correct net amount.
- An independent person of all accounting functions should have reviewed the former Clerk's bank reconciliation for accuracy. The Clerk's reconciliation should prove the cash in the fee account, meaning, after the cash balance in the bank is adjusted for reconciling items the ending cash balance should agree to the cash balance per the books for the month being reconciled. The person performing the review should trace deposits in transit and outstanding checks to the next monthly bank statement to insure the reconciling items are correct. The person performing this review should initial the reconciliation to document that these procedures have been performed.

Former County Clerk's Response: The current Clerk has implemented all of the above weaknesses. Dual signatures on checks, checking disbursement ledger to check, new cash register with only one operator. Start up bills and change will be same daily. Monthly bank statement more attention of different deputy.

